

# Neighborhood Effects of Low- Income Housing Tax Credit Developments

Kelly D. Edmiston and Roger Zalneraitis  
Federal Reserve Bank of Kansas City

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# Disclaimer

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# **Neighborhood Effects of LIHTC Developments: Outline**

- Review of LIHTC Program
- Review of Existing Research
- Data and Methodology
- Preliminary Results
- Future Considerations



# LIHTC Program

- Created by Tax Reform Act of 1986
- Replaced a variety of existing programs
- Principal federal subsidy for producing affordable rental housing for low and moderate income people



# LIHTC Program

- Federal tax credits offered for construction, acquisition, and/or rehabilitation of affordable rental housing
- Credits cover either 30 percent or 70 percent of the present value of qualified costs
- Credits generally are sold to outside investors for initial funds



# Key Question

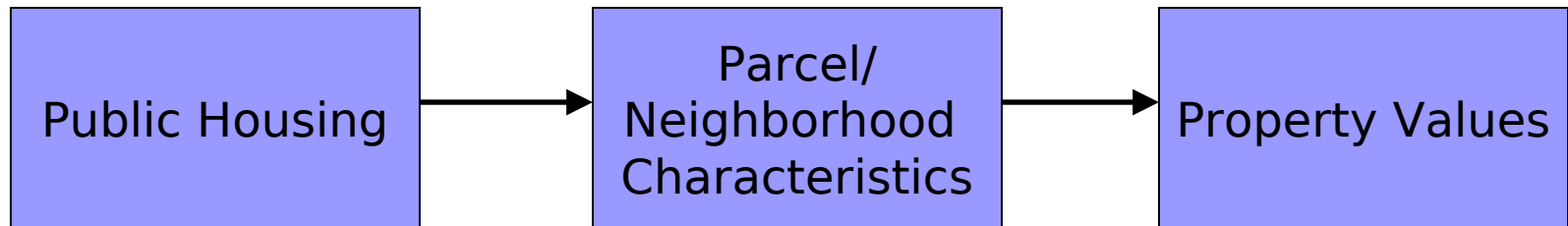
- What impact do these developments have on their surrounding neighborhoods?

# Previous Findings

- Most papers investigated impact of public subsidized housing on property values
- Results have been mixed. Dependent on:
  - Size of development
  - Type of residents
  - Type of development
  - Type of property replaced
  - Quality of development
  - Socio-economics of neighborhood

# Previous Findings Cont'd







- Problem: Public Housing May Affect Property Values Indirectly



- This Paper: Investigate LIHTC Impacts on Parcel and Neighborhood Characteristics



**Legend**

-  MO-KS State Line
-  Study Area
-  K.C. Neighborhoods
-  K.C. MSA Core Counties
-  K.C. LIHTC Projects
-  HUD-subsidized Projects

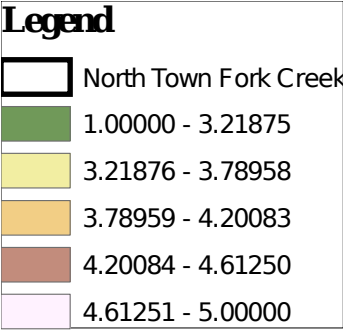
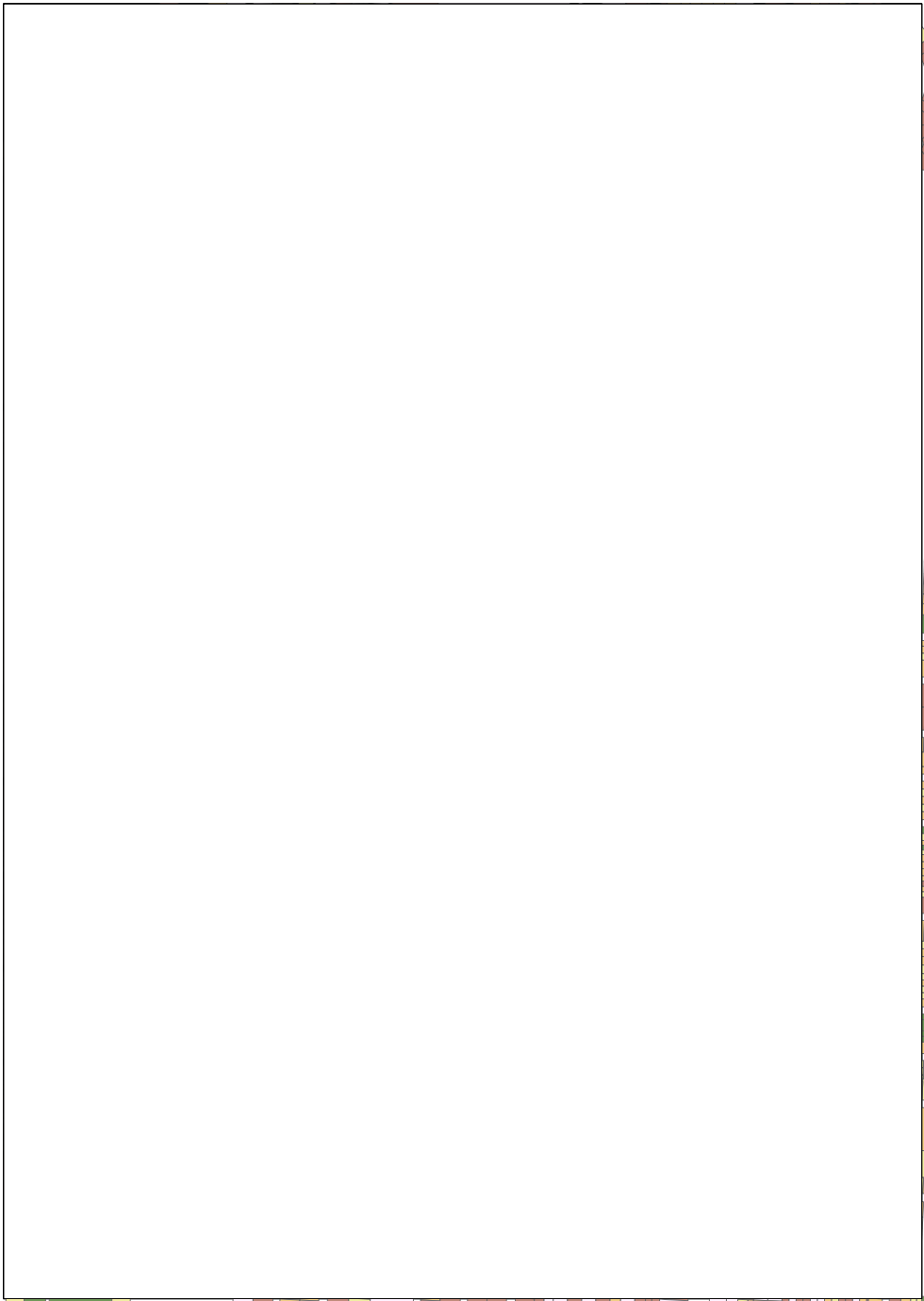
# Characteristics of Study Area

Characteristic	Value	Characteristic	Value
Property Offenses (per block)	9.2	Female Householder	45.4 %
Personal Offenses (per block)	4.5	Female Householder w/ Children	15.0 %
Median Year Built	1949	Median HH Income	\$27,433
Median House Value	\$51,565	Poverty Rate	23.5 %
Ownership Rate	54.8 %	Median HH Size	2.5
Vacancy Rate	12.8 %	Black / Af. American	57.7 %
		Hispanic	9.9 %

# Data Sources

## ■ Parcels

- Property Conditions (dependent variable)
- Type of structure and use
- Distance to LIHTC and HUD developments



# Data Sources

## ■ Parcels

- Property Conditions (dependent variable)
- Type of structure and use
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## ■ Blocks

- crimes committed, property or personal

## ■ Block group

- Census data concerning housing and individuals

## ■ Neighborhood

- MLS data: sales and price appreciation

# Empirical Results: Distance to Developments

<b>Any LI Housing Development</b>	<b>+ 1.4%</b>			
<b>Nearest HUD development</b>	<b>-</b>	<b>+ 0.4%</b>		
<b>Program = Public or Indian</b>			<b>- 0.3%</b>	
<b>Program = Section 8</b>			<b>+ 0.4%</b>	
<b>Program = FHA</b>			<b>+ 0.1 %</b>	
<b>Program = Section 8 within FHA</b>			<b>+ 0.6 %</b>	
<b>Nearest LIHTC development</b>	<b>+ 0.1%</b>	<b>+ 0.8%</b>		
<b>Program = New Construction</b>			<b>- 0.3 %</b>	
<b>Program = Acquisition &amp; Rehab</b>			<b>+ 1.2 %</b>	
<b>Program = Both</b>			<b>+ 0.4 %</b>	
<b>Nearest small development</b>				<b>+ 0.15 %</b>
<b>Nearest medium development</b>				<b>+ 0.31 %</b>
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# Empirical Results: Control Variables

## ■ Positive Effects

- ☐ neighborhood price appreciation and sales
- ☐ income
- ☐ neighboring property values
- ☐ female householder
- ☐ ownership rate
- ☐ black/Hispanic

## ■ Negative Effects

- ☐ having a structure
- ☐ crime, esp. personal
- ☐ age of houses
- ☐ female householder w/ children
- ☐ HH size
- ☐ poverty rate
- ☐ vacancy rate

## ■ No Effect or Ambiguous Effect

- ☐ type of residential structure
- ☐ tenure

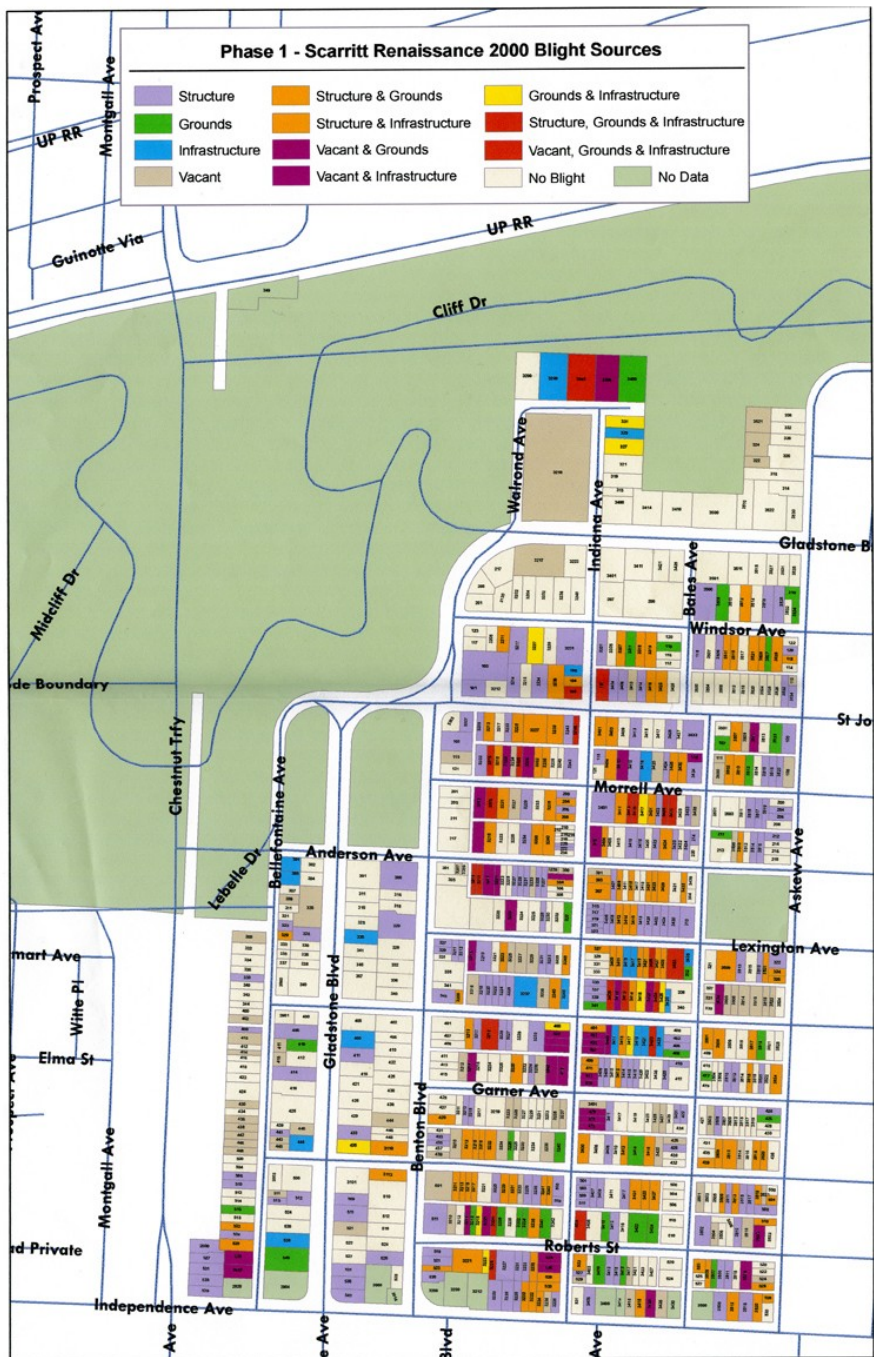
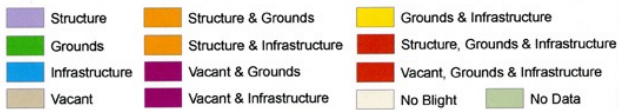


# Issues to Be Resolved

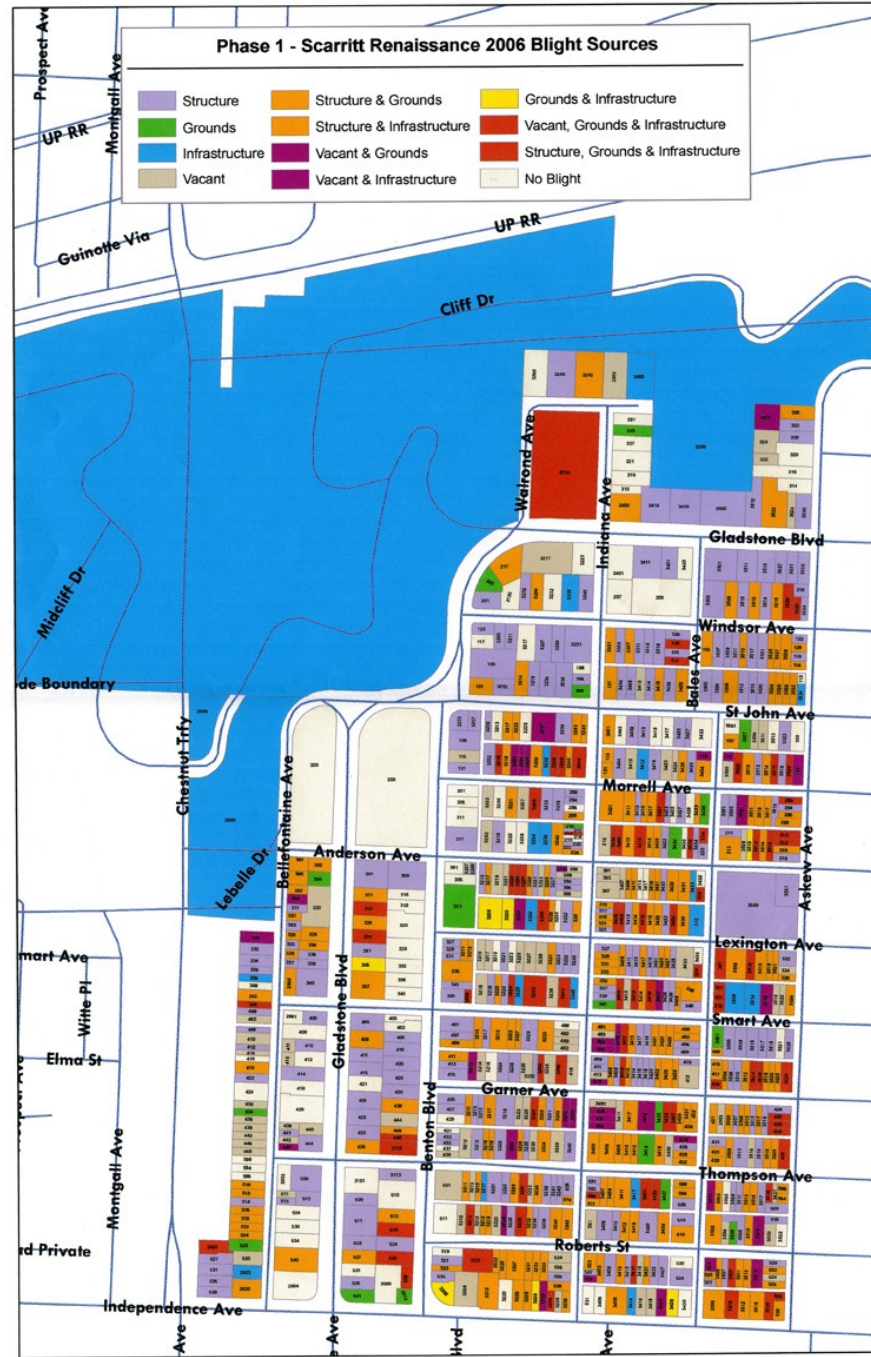
- Correct for potential selection bias
- Account for initial conditions and evaluate changes over 2000 – 2006 period



### Phase 1 - Scarritt Renaissance 2000 Blight Sources



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# Issues to Be Resolved

- Correct for potential selection bias
- Account for initial conditions and evaluate changes over 2000 – 2006 period
- Look at other potential indicators of neighborhood effects
  - crime at the block level
  - occupancy
  - property values?



Kelly D. Edmiston  
Senior Economist

Email: [kelly.edmiston@kc.frb.org](mailto:kelly.edmiston@kc.frb.org)  
Phone: (816) 881-2004

Roger Zalneraitis  
Research Associate

Email: [roger.zalneraitis@kc.frb.org](mailto:roger.zalneraitis@kc.frb.org)  
Phone: (816) 881-2886

Community Affairs Department  
Federal Reserve Bank of Kansas City  
925 Grand Boulevard  
Kansas City, MO 64198-0001